

18 June 2019

General Manager
Policy Development
Policy and Advice Division
Australian Prudential Regulation Authority
Perth WA 6001

Via email: ADIPolicy@apra.gov.au

To whom it may concern,

PROPOSED REVISIONS TO PRUDENTIAL PRACTICE GUIDE APG 223 RESIDENTIAL MORTGAGE LENDING

Thank you for the opportunity to provide feedback in relation to the proposed revisions to Prudential Practice Guide APG 223 Residential Mortgage Lending (APG 223). The Urban Development Institute of Australia (UDIA) WA is the peak body representing the property development industry in Western Australia. UDIA is a membership organisation with members drawn from the residential, commercial and industrial property development sectors. UDIA members include both private and public sector organisations. Our industry represents approximately 12.3% of Western Australia's Gross State Product, contributing \$30.45 billion annually to the Western Australian economy and \$251.7 billion nationally. As well as helping to create sustainable and liveable communities, the industry employs a total of 228,500 Western Australians and over 2 million Australians across the country.

UDIA strongly supports the proposed revisions to APG 223 and commends the Australian Prudential Regulation Authority (APRA) on its consideration of appropriate amendments to prudential practices in response to a prolonged low interest rate environment and the introduction of differential pricing for mortgage products by authorised deposit-taking institutions (ADIs).

UDIA considers that the proposed APG 223 revision to remove the 7% serviceability floor rate would be appropriate given the subdued property market and current excessively tightened lending practices. The proposed changes would be particularly timely given the present situation in WA of a tightened rental market, with vacancy rates down to just 2.5%, and the lowest levels of owner-occupier lending (excluding refinancing) on record (since 2002). If not addressed, this situation is anticipated to escalate into insufficient rental supply, high rents and an inability for many to move into home ownership, and an overall detrimental effect on rental housing affordability.

The accompanying proposed revision to increase the serviceability buffer to 2.5% is also considered to sufficiently ensure that an appropriate level of risk mitigation would remain should interest rates rise in the near future.

Further, UDIA is also supportive of the removal of the expectation that a prudent ADI would use a buffer comfortably above the proposed 2.5% serviceability buffer. This proposed revision would clarify the prudential guidance and ensure that ADIs are assured that this specific buffer is appropriate in current property market conditions.



Should APRA require any assistance or further information regarding this matter, the UDIA would be delighted to assist. Please do not hesitate to contact Chris Green, Director Policy and Research at

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Yours sincerely


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Tanya Steinbeck
Chief Executive Officer